

BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE FOR THE  
STATE OF TENNESSEE

IN THE MATTER OF:       )  
                                  )  
                                  )  
LOUIS DEWITT HAMRIC,    )  
ET AL.                     )

No. 03- 016

CONSENT ORDER

The Tennessee Securities Division ("Division") and MONY Securities Corporation ("MSC") agree to the entry of this Consent Order in accordance with the Tenn. Code Ann. § 48-2116 of the Tennessee Securities Act of 1980 ("Act"), as amended, Tenn. Code Ann. §§ 48-2-101, *et seq.*, which states that the Commissioner of Commerce and Insurance ("Commissioner") from time to time may make such orders as are necessary to carry out the provisions of the Act.

GENERAL STIPULATIONS

1. It is expressly understood by all parties that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.
2. MSC, while neither admitting nor denying the allegations set forth herein, executes this Consent Order solely for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.
3. MSC fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against MSC for acts or omissions that do not arise from or relate to the facts or transactions herein addressed.

4. MSC expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

5. The Act places the responsibility for its administration upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

#### FINDINGS OF FACT

6. MSC is a business entity whose principal place of business is located at 1740 Broadway, M.D. 9-17, New York, New York 10019. MSC is registered with the Division as a broker-dealer under Central Registration Depository ("CRD") number 4386.

7. Victor Giles Nance ("Nance") is a citizen and resident of the State of Mississippi whose home address is located at 1803 Twin Oaks Road, Clinton, Mississippi 39056. Nance possesses CRD number 1337905 and is not presently registered with the Division as a broker-dealer, investment adviser or agent thereof.

8. Nance was a registered representative associated with MSC from approximately 1984 to 2001. Nance's registration with the Division was terminated on or about June 26, 2001 due to his being terminated from MSC. Nance's CRD record indicates that his association with MSC was terminated for "violating Company Policies and Procedures as well as NASD rules and regulations."

9. Business Benefit Consultants, Inc. ("BBC") is an independent, Mississippi, for-profit corporation not associated with MSC whose principal place of business is located at 1907 E. Meadowbrook Road, Jackson, Mississippi 39211. BBC's President and agent for service of process is listed as Valerie C. Nance ("V.C. Nance"). Nance is the owner or co-owner of BBC.

10. Louis Dewitt Hamric, II ("Hamric") is a citizen and resident of the State of Tennessee whose place of business is located at 6075 Poplar Avenue, Suite 222, Memphis, Tennessee 38119, whose home address is located at 8267 Mossy Creek Drive, Germantown, Tennessee 38138 and who is not

associated with MSC. Hamric is an attorney licensed in Tennessee and Mississippi. Hamric's law license is currently suspended by the Tennessee Board of Professional Responsibility. Hamric has never been registered with the Division as a broker-dealer, investment adviser, or agent of a broker-dealer or investment adviser.

11. The Hamric Law Firm ("HLF") is an independent business entity not associated with MSC with its principal place of business located at 6075 Poplar Avenue, Suite 222, Memphis, Tennessee 38119. HLF has never been registered with the Division as a broker-dealer, investment adviser, or agent of a broker-dealer or investment adviser.

12. Brookwood Partners ("BP") is an independent business entity not associated with MSC whose principal place of business is, upon information and belief, located at 6075 Poplar Avenue, Suite 222, Memphis, Tennessee 38119. BP also maintains an office, upon information and belief, at 3225 Shallow Ford Road, Suite 1130, Palladin Office Park, Marietta, Georgia 30062. BP has never been registered with the Division as a broker-dealer, investment adviser or agent of a broker-dealer or investment adviser.

13. Mark R. Walencyk ("Walencyk") is a resident and citizen of the State of Tennessee, not associated with MSC, with a home address of 2796 Clark Road, Apt. 1, Memphis, Tennessee 38119. Walencyk has never been listed with the Division as a broker-dealer, investment adviser, or agent of a broker-dealer or investment adviser.

14. MRW Consulting, LLC ("MRW") is an independent business entity not associated with MSC whose principal place of business is located at 931 Manito Street, Memphis, TN 38117. MRW has never been listed with the Division as a broker-dealer, investment adviser, or agent of a broker-dealer or investment adviser. Walencyk is, upon information and belief, the President/CEO of MRW.

15. The Stafford Walencyk Group, Inc. ("SWG") is an independent business entity not associated with MSC whose principal place of business is located at 931 Manito Street, Memphis, TN 38117. SWG has never been listed with the Division as a broker-dealer, investment adviser, or agent of a

broker-dealer or investment adviser. Walenczyk is, upon information and belief, the President/CEO of SWG.

16. Global Health Services, Inc. ("GHS") is an independent business entity not associated with MSC whose principal place of business is located at 6075 Poplar Avenue, Suite 222, Memphis, Tennessee 38119. GHS also maintains an office at 3225 Shallow Ford Road, Suite 1130, Palladin Office Park, Marietta, Georgia 30062. GHS has never been registered with the Division as a broker-dealer, investment adviser or agent of a broker-dealer or investment adviser.

17. Pursuant to a promissory note scheme devised by Hamric, Nance, Walenczyk, and other persons or entities not associated with MSC, the following events occurred:

(a) On July 6, 2000, Hamric opened AmSouth Bank account #5323916109 ("AmSouth Account") at a branch of AmSouth Bank in Memphis, Tennessee. Hamric and Nance were the signatories on the AmSouth Account. In September of 2000, ten million two hundred ninety-four thousand five hundred forty-eight dollars and twenty-seven cents (\$10,294,548.27) was transferred from MSC client accounts by Nance to the AmSouth Account.

(b) On or about October 3, 2000, Hamric opened AmSouth Bank account #07795335 ("AmSouth Account #2") with AmSouth.

(c) On or about November 21, 2000, Hamric wired ten million one thousand dollars (\$10,001,000.00) from the AmSouth Account #2 to Chase Bank in New York City.

(d) Hamric then initiated a wire transfer from Chase Bank to a brokerage account ("D&B Account") at Valeurs Mobilieres Intemat D & B Inc, a Canadian broker-dealer ("D&B"). The D&B Account was opened under Pal-Hamric, GP.

(e) On or about November 21, 2000, Hamric authorized ten million dollars (\$10,000,000.00) to be transferred from the D&B Account to a brokerage account at D&B maintained by Island Capital Limited ("ICL").

(f) According to documents received from the Quebec Securities Commission, ICL was a large promissory note scheme.

(g) On or about January 19, 2001, ICL transferred ten million dollars (\$10,000,000.00) from the D&B Account to a second account ("D&B Account #2") maintained by ICL at D&B.

(h) On or about January 19, 2001, Hamric transferred ten million dollars (\$10,000,000.00) from the D&B Account #2 to a checking account that Hamric opened at Southtrust Bank ("ST Account").

(i) On or about January 23, 2001, Hamric transferred six million dollars (\$6,000,000.00) from the ST Account to Star Bank in Cincinnati, Ohio.

(j) Hamric, Nance, Walenczyk and other persons or entities not associated with MSC, conspired to persuade Nance's MSC clients to transfer their funds into a promissory note program ("Hamric Program") that was orchestrated by Hamric, Nance and Walenczyk. The MSC clients were told by Hamric, Nance and Walenczyk that their funds would be pooled and then utilized in a "block" trading program that would guarantee them returns of between twenty-four percent (24%) to forty-eight percent (48%) annually.

(k) Nance knowingly represented to his MSC clients who invested in the Hamric Program that their principal was safe and that only their profit on the "trades" was at risk.

(l) In fact, contrary to the representations of Nance, Hamric, and Walenczyk, the Hamric Program was a promissory note scheme devised by Nance, Hamric, and Walenczyk to convert the investor funds to their own personal use.

18. From 2000-2001, Nance and/or BBC received a total of four million one hundred seventy-two thousand three hundred eighty-three dollars and ninety-seven cents (\$4,172,383.97) from investor funds converted from the Hamric Program, including MSC investor funds that were commingled with investor funds from other sources.

19. On or about September 13, 2000, MSC conducted a previously announced compliance audit of Nance at its offices in Mississippi during which it reviewed Nance's sales practices, books and records. Based on this audit, MSC made the following findings:

- a. Nance's signage was not in compliance with MSC's internal requirements;
- b. Nance kept outdated prospectuses in his office; and
- c. Nance's office stationary was not in compliance with MSC's internal requirements.

20. On or about March 21, 2001, MSC conducted a previously announced compliance audit of Nance at its offices in Mississippi during which it reviewed Nance's sales practices, books and records. This audit revealed the following:

- a. Nance did not disclose certain outside business activities in violation of MSC policies and procedures.

21. However, MSC's two (2) aforementioned audits did not reveal or identify the Hamric Program, the liquidation of MSC customer accounts to fund the Hamric Program, or determine that Nance was selling away from MSC from July 2000 through March 2001.

22. According to Nance's CRD report, Nance was terminated by MSC on June 26, 2001 for "violating Company Policies and Procedures as well as NASD rules and regulations."

23. MSC has provided its portion of restitution to its clients who were defrauded by Hamric, Nance, Walencyzk, and the Hamric Program.

#### CONCLUSIONS OF LAW

24. Pursuant to Tennessee Code Annotated § 48-2-115(a), the responsibility for the administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

25. Pursuant to Tenn. Code Ann. § 48-2-116, the Commissioner may make, promulgate, amend, and rescind such orders as are necessary to carry out the provisions of this Act and that such order

is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provision of the Act.

26. Tenn. Code Ann. § 48-2-112(a), which states that the Commissioner may by order deny, suspend or revoke any registration under the Act if the Commissioner finds that (1) the order is in the public interest and necessary for the protection of investors; and (2) the applicant or registrant or, in the case of a broker-dealer, any affiliate, partner, officer, director, or any person occupying a similar status or performing similar functions. . . (J) has failed reasonably to supervise such person's agents if the person is a broker-dealer.

27. Tenn. Code Ann. § 48-2-112(d) provides that, in pertinent part, in any case in which the Commissioner is authorized to deny, revoke, suspend the registration of a broker-dealer, investment adviser, or agent or applicant for broker-dealer, agent, or investment adviser registration, the Commissioner may in lieu of or in addition to such disciplinary action, impose a civil penalty in an amount not to exceed five thousand dollars (\$5,000) for all violations for any single transaction.

28. Based upon the findings of fact cited above and the conclusions of law contained herein, the Commissioner concludes that the actions of MSC were in violation of Tenn. Code Ann. § 48-2-112(a) and the rules and regulations cited above and that such actions provide grounds for an order that is necessary to carry out the provisions of the Act.

29. MSC neither admits nor denies the general stipulations, findings of fact and conclusions of law contained herein but acknowledges the Commissioner's authority to administer said statute. Therefore, MSC, in order to avoid any further expenses or costs associated with litigating this matter, hereby desires to enter into this Consent Order.

#### ORDER

NOW, THEREFORE, on the basis of the foregoing, and the waiver by MSC of its rights to a hearing and appeal under the Act and Tennessee's Uniform Administrative Procedures Act, Tenn. Code

Ann. §§ 4-5-101 *et seq.*, and the admission by MSC of the jurisdiction of the Commissioner, the Commissioner finds that MSC has agreed to the entry of this Order and that this Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to Tennessee Code Ann. § 48-2-116 of the Act that:

1. MSC shall make a payment of a civil penalty to the Division's Investor Education Fund in the amount of ten thousand dollars (\$10,000.00), payable in the form of a cashier's check drawn upon a federally-insured bank or savings and loan institution, and shall make said payment within ten (10) days of the entry of this Consent Order by the Commissioner. Such payment by MSC should be made payable to the Tennessee Securities Division and, if mailed, should be directed to the following address:

State of Tennessee  
Department of Commerce and Insurance  
Office of Legal Counsel  
Attn: Kevin C. Bartels  
Davy Crockett Tower, 5th Floor  
500 James Robertson Parkway  
Nashville, Tennessee 37243

2. For a one (1) year period, commencing on the date this Consent Order is entered by the Commissioner, MSC shall submit to the Assistant Commissioner a written report no later than fifteen (15) days following the close of each calendar quarter. Such report shall: (a) describe any securities-related complaints, actions or proceedings (including arbitrations) (such complaints, actions or proceedings referred to collectively as "Complaints") involving Tennessee residents and initiated against MSC or MSC's officers, agents, employees or representatives for the quarter; (b) provide information on the disposition of any such Complaints or on any Complaints reflected in an earlier report filed pursuant to this paragraph; and (c) attach copies of such Complaints and any dispositional documents. If no securities-related Complaints exist for the quarter, the report shall so indicate. The first such report shall be due on , 2003 and the final report shall be due on or before , 2004.



3. Within six (6) months from the date this Consent Order is entered by the Commissioner, MSC shall complete a review of its internal supervisory and compliance procedures relating to supervision of its registered agents and prepare a written report on the reasonableness of such supervision procedures.

4. Within nine (9) months from the date this Consent Order is entered by the Commissioner, MSC shall submit the report described in paragraph 3 above to the Assistant Commissioner for review along with a written summary of the changes that have been implemented and a timetable for those proposals not yet implemented. The Assistant Commissioner shall indicate her approval or disapproval of the report to MSC within thirty (30) days of receipt of the report.

5. If the Assistant Commissioner indicates her disapproval of the report described in paragraphs 3-4 above, such disapproval shall state in writing what areas need further improvement or modification. Upon receipt of the disapproval, MSC shall indicate what measures it is undertaking to comply with the Assistant Commissioner's findings and shall indicate a timetable for the completion of the additional improvements or modifications. MSC shall have adopted such additional improvements or modifications in response to the changes recommended by the Assistant Commissioner within a period of approximately six (6) months after receipt of the Assistant Commissioner's written opinion, which period may be extended upon mutual agreement of the parties.

6. MSC agrees to cease and desist in any further violations of the Act.

7. MSC agrees to fully comply with the Act and the rules promulgated thereunder.

8. MSC further acknowledges that should it fail to comply with the provisions of this Order, the Division may enforce this Order in the Chancery Court of Davidson County, Tennessee, pursuant to Tenn. Code Ann. § 48-2-119. In addition, the Division may impose additional sanctions and costs and seek other appropriate relief for violation of this Consent Order, subject to MSC's right to a hearing, pursuant to the Act and the Uniform Administrative Procedures Act, as amended, at Tenn. Code Ann. §§ 4-5-101, *et seq.*

**IT IS FURTHER ORDERED** that this Consent Order represents the complete and final resolution of and discharge of all administrative and civil, claims, demands, actions and causes of action by the Division against MONY for the alleged violations of the Act which relate specifically to all actions and/or omissions by MONY which are so described in this Consent Order. This Consent Order shall not be construed to apply to any other facts or circumstances other than to the facts set forth herein.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, MONY affirmatively states that it has freely agreed to the entry of this Consent Order, that it has been advised that it may consult legal counsel in this matter, and has had the opportunity to consult with legal counsel should it have desired to do so, that it waives its right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

**SO ORDERED.**

Entered this the 3rd day of June, 2003.

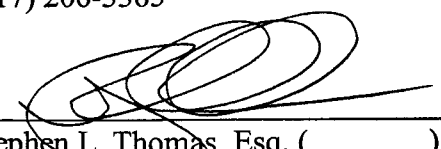
Paula A. Flowers  
Paula A. Flowers, Commissioner  
Department of Commerce and Insurance

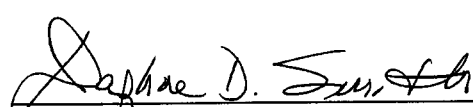
APPROVED FOR ENTRY.

By: 

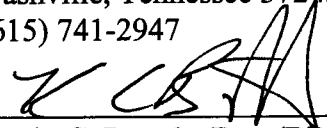
Title:

MONY Securities Corporation  
1740 Broadway, M.D. 9-17  
New York, New York 10019  
(917) 206-3365

  
Stephen L. Thomas, Esq. ( )  
Counsel for Respondent MSC  
Bradley Arant Rose & White LLP  
Suite 450, One Jackson Place  
188 E. Capitol Street  
Jackson, Mississippi 39215-1789  
(601) 948- 8000



Daphne D. Smith  
Assistant Commissioner for Securities  
Department of Commerce and Insurance  
500 James Robertson Parkway  
Sixth Floor, Davy Crockett Tower  
Nashville, Tennessee 37243  
(615) 741-2947

  
Kevin C. Bartels, Esq. (BRP #020618)  
Staff Attorney  
Department of Commerce and Insurance  
Davy Crockett Tower, 5<sup>th</sup> Floor  
500 James Robertson Parkway  
Nashville, Tennessee 37243  
(615) 741-2199

#### CERTIFICATE OF SERVICE

The undersigned hereby certifies that true and correct copies of the foregoing have been served upon Counsel for MSC listed below by delivering same or posting same in the United States Mail, First Class:

Stephen L. Thomas, Esq.  
Counsel for Respondent MSC  
Bradley Arant Rose & White LLP  
Suite 450, One Jackson Place  
188 E. Capitol Street  
Jackson, Mississippi 39215-1789